

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 15602 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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GTE HAWAIIAN TELEPHONE COMPANY, INCORPORATED
P. O. Box 2200
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Karen Higashi
Chief Clerk

DATED: May 23, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)

GTE HAWAIIAN TELEPHONE
COMPANY INCORPORATED)

Order to Show Cause.)

DOCKET NO. 94-0346

ORDER NO. 15599

Filed May 23, 1997
At 9:15 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)
)
GTE HAWAIIAN TELEPHONE)
COMPANY INCORPORATED)
)
Order to Show Cause.)
_____)

Docket No. 94-0346

Order No. 15599

ORDER

On May 16, 1997, GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED (GTE Hawaiian Tel) filed a motion to revisit or revoke the commission's Decision and Order No. 14789, filed on July 15, 1996. The Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs filed a response to GTE Hawaiian Tel's motion on May 20, 1997.

On August 15, 1996, GTE Hawaiian Tel filed a notice of appeal from Decision and Order No. 14789 to the Hawaii Supreme Court. The appeal has been briefed by the parties and awaits a decision by the supreme court. Until the supreme court disposes of the appeal, the commission does not have jurisdiction to entertain the present motion. Accordingly, the motion should be dismissed for lack of jurisdiction.

THE COMMISSION ORDERS that GTE Hawaiian Tel's motion is dismissed for lack of jurisdiction.

SENT BY:

7-97 : 11:53 : BOGLE & GATE? ANC?

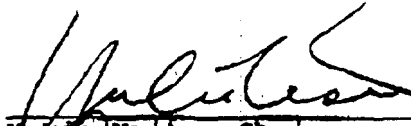
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3072/64152 P.04

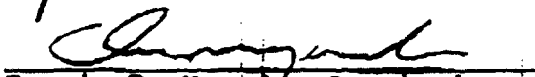
DONE at Honolulu, Hawaii this 23rd day of May, 1997.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII


By


Yukio Naito, Chairman

By


Dennis R. Yamada, Commissioner

APPROVED AS TO FORM:


Colette H. Gomoto
Commission Counsel

94-0048.wn

TelAlaska also has access to other support programs that should enable TelAlaska to provide less expensive service to rural Hawaii than GTE Hawaiian Tel. For example, TelAlaska heavily relies on low-cost rural financing for its rural upgrades. These include financing from the Rural Utilities Service ("RUS") and Rural Telephone Bank ("RTB"), which are part of the U.S. Department of Agriculture. Id. at 19-21. They provide low-interest, long term loans to rural local exchange telephone companies for the construction of facilities in rural communities. A lower interest rate translates into lower costs, and thus lower rates. GTE Hawaiian Tel is ineligible for this financing as it is not a small local rural exchange telephone company. Id.

TelAlaska is also eligible for debt financing through the Rural Telephone Finance Cooperative ("RTFC") and CoBank, nonprofit lending institutions that provide financing to rural telephone companies for capital improvements, under similar criteria as RUS and RTB. The cost of debt from these programs is typically 2 percent less than conventional financing through commercial banks and other lending institutions. GTE Hawaiian Tel is ineligible for this financing as it is not a small local exchange carrier, and because it serves urban areas. As TelAlaska testified, the cost savings from these programs for long-term debt on a \$10 million plant investment results in a first year cost savings of more than \$200,000. Id.

TelAlaska also benefits from favorable separations rules. These rules help offset the monthly cost of rural local exchange telephone service. See Michael C. Burke's Prefiled Direct Testimony at p. 21-22. GTE Hawaiian Tel is ineligible to benefit from these rules as well.

Moreover, TelAlaska believes that its cost of service in Hawaii will be less than its cost of service in Alaska. For all but one of its service areas in Alaska, there are no roads

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from the local exchange service area to a commercial center. Thus, TelAlaska's maintenance costs are very high. As TelAlaska testified, to service its Little Diomed exchange, TelAlaska must fly from Nome, Alaska, to Little Diomed by helicopter, at a round-trip cost of \$4000. *Id.* at 17. By contrast, Hawaii has roads throughout many of its rural areas. Thus, TelAlaska's cost of service is likely to be lower in Hawaii than in Alaska for this reason alone.

Moreover, TelAlaska's labor costs may be lower in Hawaii than Alaska. Assuming, for example, that the hourly rate for GTE Hawaiian Tel's linemen, and its business and residential installers, is at or below \$20.00 per hour, TelAlaska's labor costs will be significantly lower in Hawaii than in Alaska where TelAlaska pays its comparable workers significantly more per hour.

In addition to TelAlaska likely providing less expensive local telephone service than GTE Hawaiian Tel, TelAlaska believes it can provide a higher quality of service as well. For example, Interior Telephone Company has provided rural telephone service -- always single-line and never multiparty -- for 26 years. Prefiled Testimony of Jack H Rhyner at 3, 10. TelAlaska's expertise is rural telephone service and, unlike GTE Hawaiian Tel, rural areas are its highest priorities. *Id.* at 25.

GTE Hawaiian Tel does not dispute TelAlaska's access to low cost financing or to favorable separations rules. Rather, GTE Hawaiian Tel challenges TelAlaska's belief that it can successfully petition the FCC for a waiver of Hawaii's study area, a prerequisite to obtaining national Universal Service Funds for Hawaii. GTE Hawaiian Tel expresses this concern through Dr. Beauvais. Dr. Beauvais implied that national Universal Service Funds were inaccessible as the fund was "frozen." Hearing Testimony of Dr. Beauvais at p. 73.

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